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State Department review completed

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SUMMARY

GENERAL

1. Moscow Embassy comments on Pravda treatment of Koje incident (page 3).

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- 2. Three Chinese battalions reportedly move into Tonkin (page 3).
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NEAR EAST - AFRICA

4. USSR protests omission of oil from Iranian trade agreement (page 5).

EASTERN EUROPE

- 5. Tito voices pessimism over bilateral solution of the Trieste problem (page 6).
- 6. Secret Bulgarian-Yugoslav contacts reportedly broken off (page 6).

LATIN AMERICA

- 7. Argentina appears interested in trade agreement with the USSR (page 7).
- 8. Revolutionary plot in Cuba reported (page 8).

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GENERAL

	Ambassador Kennan believes that <u>Pravda's</u> treatment of the Koje incident as a lead
	editorial is significant as an indication that
	Communist negotiators in the Korean truce
talks may hav	e been instructed to hold out for a return of all prisoners
of war. Such	prominent space is rarely devoted to an external subject,
and then only	when it is a matter of immediate and considerable concern
	In comparison with Malik's statement of last
June, Kennan	believes that Pravda's editorial indicates the Kremlin's
	to agree to an armistice only on Communist terms since

FAR EAST

it is now "talking from strength" and even a stalemate in the talks af-

2. Three Chinese battalions reportedly move into Tonkin:

fords it an opportunity for a further military build-up.

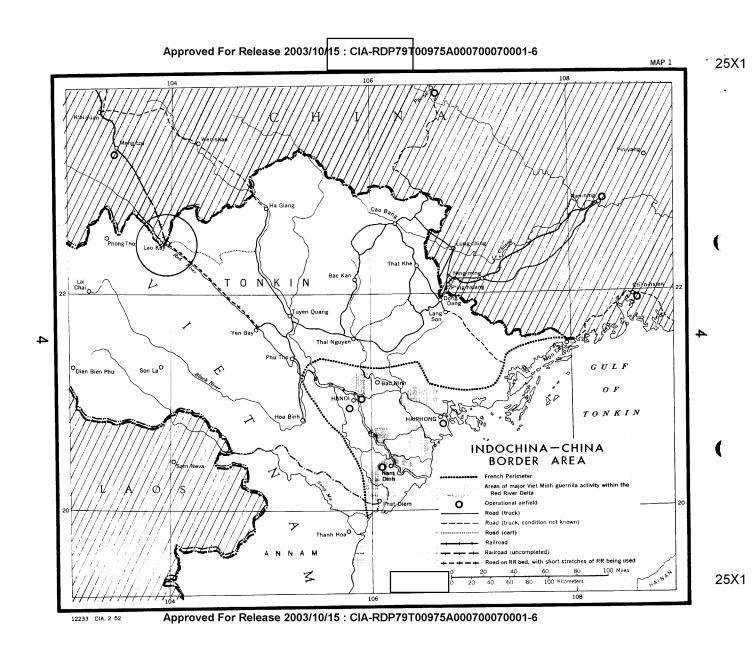
25X1A received "probably reliable" information that a Viet Minh regiment near Lao Kay, in the northwest border region of Tonkin, has been reinforced by three "friend-ly" battalions. The US Legation believes that "friendly" means Chinese Communist.

The commander in chief of French forces in Indochina, General Salan, told the American Minister that he was not worried over the report, which he described as unconfirmed.

Comment: A brief Chinese Communist incursion into the same area a year ago produced speculation that the forces involved were the vanguard of an invasion, were foraging for opium, or were engaged in an intelligence mission. The units withdrew after a short time.

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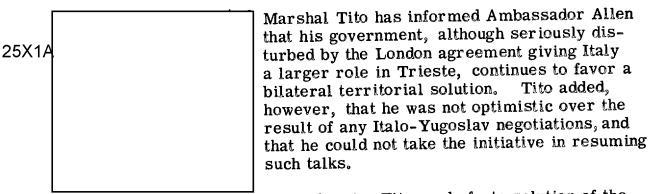
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	3.	French reportedly working with Chinese guerrillas across Indochina border:	1			
	25X1A	A French officer is seeking to arm Chinese guerrillas in Yunnan	25X1			
		as a means of relieving Viet Minh pressure in the "Lao Kay area,"	25X1			
	25X1					
	•	Comment: This is the first report since last October on such French activities. At that time the American Consul in Hanoi reported "recent signs" of French interest in using Chinese Nationalist troops interned in Indochina for trans-border intelligence				
25X1		A reported 1,500 ex-Nationalist troops have been living as bandits in the mountainous regions east and northeast of Lao Kay; groups of them have occasionally engaged Viet Minh forces.	25X1			
		Under Marshal de Lattre, the French were careful to undertake no action, such as the arming of Chinese Nationalists, which might provoke the Chinese Communists.				
		NEAR EAST - AFRICA				
	4.	USSR protests omission of oil from Iranian trade agreement:				
	25X1A	The Soviet Union has protested the omission of petroleum from the list of products to be exported by Iran under the still pending renewal of the Iranian-Soviet trade agreement. The Iranian official who reported this to the American Embassy believes that the protest was designed to counterbalance the recent Iranian-American military aid agreement.				
The official said he doubted the USSR's assertion that it could transport the oil from the Persian gulf by tanker; he added, however, that the Council of Ministers favored including petroleum in the list.						
		25X1A - ⁵ -				

Comment: This is the first report from an official source that the USSR is negotiating for Iranian oil. Although inclusion of oil in the list would be in line with the Soviet policy of stimulating Mossadeq's intransigence on the oil dispute, the conversation may represent merely another effort by Iran to force aid from the United States.

EASTERN EUROPE

5	Tito voices	nessimism	over	bilateral	solution	\mathbf{of}	the	Trieste	proble	m
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According to Tito, a de facto solution of the Trieste problem, with Zone A gradually being absorbed by Italy and Zone B by Yugoslavia, would not meet Yugoslav requirements unless legitimate Yugoslav interests in Zone A were satisfied and further Italian irredentist claims were renounced.

Ambassador Allen believes that although its position on Trieste has hardened considerably, Yugoslavia might accept a territorial settlement if accompanied by assurances against further Italian demands.

6. Secret Bulgarian-Yugoslav contacts reportedly broken off:

25X1A	The French Minister to Sofia, according the American Embassy in Athens, belief that contacts were established between Yugoslav Legation in Sofia and Bulgaria Premier Chervenkov during April, and later broken off, presum	eves the an
	without concrete result.	
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The fact that the reported high-level Yugoslav-Bulgarian contact could successfully have been effected even for a brief period of time is considered by the French to be "highly significant in itself."

Comment: The French Minister previously reported that some element in the Bulgarian Government had been in clandestine contact with the Yugoslav mission in Sofia regarding the formation of a neutral south Slav bloc. A report from the American Embassy in Paris described the French Foreign Office as "leaning toward the view" that the Bulgarian Government, or some element in it, was trying to "do a Tito."

LATIN AMERICA

7.	Argentina appears interested in trade agreement with the USSR:						
25X1A	Argentine delegates to the Moscow Economic Conference discussed with Soviet officials a possible trade agreement which would provide for the exchange of leather, wool, casein, tungsten, and beryl for Russian machinery,						
25X1							
25X1							
· .	Comment: It was reliably reported last December that Argentina and the USSR were planning to conclude secret trade negotiations "in the near future." Delegates returning from the Moscow Economic Conference stated that the USSR was primarily interested in Argentine wool.						
	Direct trade between the two countries has heretofore been negligible.						
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8. Revolutionary plot in Cuba reported:

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Rumors have been circulating in Cuba of revolutionary action to take place within the next few days, possibly on 20 May. These include reports of a plan to assassinate Batista during the 20 May celebrations of the fiftieth anniversary of Cuba's independence.

Comment: Rumors of an impending revolution in Cuba have been increasing during recent weeks. There is no reason to believe that the Batista regime does not have sufficient military support to thwart any armed attack.

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